

# AFRICAN BUSINESS UPDATE

## ***General Business:***

*The global economic crisis is starting to impact Africa.* Mining and manufacturing operations are being mothballed and staff laid off. Oil producing countries are having to adjust budgets to the US\$ 50 crude price. On the positive side, oil importing countries are benefiting from lower oil prices while a number of major investment initiatives have been announced.

Algeria and Argentina signed an agreement to boost cooperation on civil nuclear projects. Bidvest is to list its Namibian unit on the Namibian Stock

Exchange in 2009 and intends to continue making strategic acquisitions.

Siyenza Management reports that the NEPAD Business Foundation, working in conjunction with the WITS Business School, is to train managers and professionals to manage the unique challenges found in Africa's private and public sectors; the shortage of skills remains the biggest constraint to the implementation of South Africa's R one trillion infrastructure programs. Pirates captured a Saudi-owned

supertanker loaded with more than US\$ 100 million worth of crude oil off the coast of Kenya. GM will close its two plants in Port Elizabeth, South Africa, for longer than usual over the December holidays as a result of declining demand. Major players in South Africa's tourism industry have signed a R 64 million deal aimed at boosting business tourism in the country. Kenya abolished work permit requirements for Rwandan nationals.

## ***Investment:***

Lonrho raised £ 15.6 million to continue development of its core African businesses. Kenya plans to invest Sh 12.6 billion on irrigation schemes to reduce its dependence on rain-fed agriculture and grow more high-

value crops. The Banco de Fomento Angola granted US\$100 million to entrepreneurs in the province of Huíla, Angola, to finance projects in various socio-economic areas. Delta Partners

will invest US\$80 million in medium-sized companies in emerging markets and make its first investment in South Africa in the next six months.

## ***Trade:***

Rwanda and Burundi are to start work on the construction of a railway line connecting both countries to Tanzania.

South Africa's dti has raised the alarm about fraud involving clothing imports from China. Cote D'Ivoire signed an interim

trade agreement with the European Union.

## ***Mining:***

*Corporate / M&A:* Aflease Gold and BMA Gold are to merge. Anoroaq Resources is to purchase an effective 51% of the Lebowa platinum mine. Cape Lambert Iron Ore bought a 30% stake in Marampa Iron Ore Limited in Sierra Leone. The European Islamic Investment Bank increased its stake in DiamondCorp to 26.7%. PMI Gold announced an extension to a bridge loan and appointed Douglas R. MacQuarrie as President and CEO. Forsys Metals is to be acquired by DRC's Georges Forrest International Afrique. Delta Mining Consolidated is

considering an appeal against a ruling that it has to bid again for the Western Cluster iron-ore project in Liberia.

*Other:* Namibia plans to amend legislation to provide for royalties on all minerals mined. South Africa-based Shaft Sinkers won a US\$ 270 million contract to dig one of two shafts at a new potash mine being developed south of Moscow. Rio Doce Mozambique invested some US\$ 130 million in activities aimed at reactivating coal mining in Moatize, Mozambique during 2008.

Anglo Platinum is to invest R 1.4 billion in a project to provide home ownership for its employees in South Africa. Sephaku, a new entrant in South Africa's cement industry, was granted a 30 year limestone mining right in the North West province. DRDGOLD advised unions of its intention to place on care and maintenance the underground operations of the ERPM mine. Lonmin has begun retrenching 1,600 workers. Camec mothballed its Mukondo cobalt mine in the DRC.

## ***Oil and Chemicals:***

*Corporate / M&A:* Omnia, parent of Protea Industrial Chemicals, reported revenue up 78% to R 5,5 billion. PT Medco Energi Internasional is seeking investors from the Middle East to take part in the development of an oil and gas field in Libya. Engen acquired Total's operations in Guinea Bissau and Rwanda. BASF issued a profit warning and cut global output.

*Upstream:* Chevron has said that around 90,000 barrels per day of oil production were shut in at

its Nigerian joint venture, following a pipeline breach. Tullow made a small discovery at Ebony, offshore Ghana. Afren has agreed a farm-down transaction with Mitsui in respect of the Keta Block in Ghana. Mozambique has found two new natural gas reserves in the southern Inhambane region. The cost of Angola's first liquefied natural gas plant is likely to double to US\$ 8 billion.

*Downstream:* Sasol plans to build a new 800,000 barrels per day

coal-to-liquids plant in Limpopo, South Africa. Engen's Durban, South Africa, oil refinery will be shut for three to four months after a fire destroyed the main processing unit, causing damage of about R 50 million. The Bio-Energia sugar, ethanol, and electrical energy project has secured US\$ 168 million in funding from a group of Angolan banks.

## ***Electrical Power / Telecoms:***

South Africa's cabinet approved an electricity pricing policy. Eskom has shut down one of its units at the Koeberg Power Station in the Western Cape because of a technical fault. Mozambican and South African power utilities EDM and Eskom plan to construct jointly a US\$ 1.3 billion power station in Mozambique. Eskom's second 3 300 megawatt nuclear plant is likely to be delayed or halted because of funding

constraints. GE and Sasol signed a service agreement for a 280 MW power plant. Zambia has cut by 16% the 540 MW power supplied to its copper mines after state utility Zesco rationed power following the shutdown of a major transmission line for repairs

International mobile company Millicom International Cellular announced that it has won another African license. MTN

sent a team of engineers to China to assess cell phone handsets that can retail for about US\$ 10 and is to spend R 700 million on a fiber optic network in South Africa. The MTN-Verizon merger has been approved by the South African Competition Commission. African cell-phone operator Vodacom now serves 35.7 million customers, up 13.1% in one year, from 31.5 million a year ago.

## ***Finance:***

The World Bank granted US\$ 100 million to support the Mozambican state budget for 2009. The IFC is to invest in Ghana Home Loans to help the specialized mortgage provider boost residential mortgage lending and provide better access to housing finance for Ghanaians. Japan is to lend the International Monetary Fund up

to US\$ 100 billion in temporary funds to help emerging economies. The EU has pledged 1 billion euros for developing country farmers. The Mozambican and Chinese governments have signed three agreements in Maputo under which China is to provide a total of US\$ 43 million in loan and grant finance. Australia is

providing US\$ 8 million in emergency aid for the people of Zimbabwe. The Oppenheimer Memorial Trust donated R 20 million to 25 nonprofit organizations, from universities to community education and feeding schemes, in South Africa.

## ***African Statistics:***

Ghana expects 2008 growth of 7%. Botswana's economic growth slowed to 3.3% in the 2007/08 financial year from 5.5%, largely due to lower mining output. The country's trade surplus rose to a record 969.3 million pula (US\$ 120.1 million) at the end of August 2008 on increased exports of diamonds. South Africa's

economic growth rate has slowed to 0.2% in the third quarter of the year. Motor trade sales for 3Q2008 increased by 5.4% while mining production decreased by 3.5%. The value of recorded building plans passed from January to September 2008 decreased by 3,2%. South African farmers are likely to plant 2.87 million hectares of

maize this season. Mauritius' tourism arrivals will grow by less than half the original 8% forecast for 2008 as its key foreign markets enter an economic slowdown. Zimbabwe's gold output, which accounts for a third of its export earnings, hit an all-time monthly low of 125 kg in October.

## *Politics:*

Zambian opposition leader Michael Sata launched a court challenge to demand a recount of the vote in the presidential election. Algeria's parliament has paved the way for veteran President Abdelaziz Bouteflika to serve a third term by overwhelmingly approving plans to amend the constitution. Guinea-Bissau's President Vieira survived an attack on his residence by renegade soldiers just a few days after an orderly parliamentary election.

Daewoo Logistics of South Korea secured 1.3 million

hectares of arable land in Madagascar, an area half the size of Belgium comprising half of Madagascar's arable land, in order to grow corn and other foodstuffs for South Korea using South African labor. It would seem the land was simply given to Daewoo by the Madagascan government at no cost other than a vague commitment to build infrastructure. Abu Dhabi's Al-Qudra Holding planned to buy 400,000 hectares of arable land in Africa and Asia. These deals raise concerns that African leaders are selling the future of

their citizens in deals that are far from transparent.

An outbreak of cholera is affecting nine out of Zimbabwe's ten provinces. Robert Mugabe forbade a trio of elders, Kofi Annan, Graca Machel and Jimmy Carter, from entering the country. Yet SADC leaders still refrain from putting pressure on Robert Mugabe and his cronies. Not that Africa's leaders are very effective in the Great Lakes region, Darfur or Somalia.

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